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UNITED NATIONS DEVELOPMENT PROGRAMME

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF INDIA

IPF:(1987-91) $156 120 000

(IND/90/040) - Leather Sector Programme

Date of approval by the AC:[1]	1 May 1991
Expected duration:	Four years
Proposed executing agency:	Government in Co-operation with UNIDO and ITC
Government implementing agency:	Department of Industrial Development (Ministry of Industry)
Proposed UNDP contribution:	$ 15 050 000 Source of Funds: IPF
Total UNDP budget:	$ 15 050 000

Project background

The leather industry has acquired a place of prominence in the Indian economy in the last decade. The new role of the sector is evident from the growth of the value of the output (revenue) which rose from the base level of(Rs.) 16,700 million in 1984-85 to (Rs.) 40,000 million in 1989-90. During the same period the exports rose from (Rs.) 5,840 million to (Rs.) 18,000 million; and leather and leather products now rank fourth among exports from India. This remarkable performance was achieved in response to liberalization of various regulations. Yet, only a small share of the international market has been captured leaving an enormous potential for further expansion of the sector. Based on current trends it is hoped that exports from this sector will reach a level of (Rs.) 100,000 million ($ 5.2 billion) in the year 2000.

The Government and the private sector wish to take full advantage of the opportunities in this sector with a view to generating foreign exchange via exports and to creating employment in line with the nation's poverty alleviation efforts. In preparation of the Eighth Plan, a joint working group was therefore charged with the responsibility of reviewing the sector with a view to identifying and outlining measures which could support and possibly accelerate further expansion. In a report issued in 1990, the group identified a number of areas which need strengthening. These include: (1) supply of hides and skins; (2) trained manpower at all levels; (3) product development; (4) quality control; (5) production of leather machinery and auxiliaries; (6) pollution control with particular reference to effluent from tanneries; and (7) marketing.

[1] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

In light of the report of the working group, it was decided to develop a comprehensive plan for the sector, which will be based on the premise that further growth of the sector should be export-led and focus on value added products (i.e. move towards high-quality finished products), with particular emphasis on footwear production. In addition, the transformation of the sector will be co-ordinated in such a way that the traditional (informal) segment of the industry will be integrated in a manner which will preserve the livelihood of artisans and the cottage industry and spread the benefits of growth. To this end, the Government requested UNDP assistance under the present approval.

Description of project

The immediate objectives of the project are to: (a) upgrade skills, product design and quality control; (b) conduct training at all levels and dissemination through training of trainers, demonstrations and workshops and provision of trained manpoer directly to the industry; (c) exercise pollution control through testing and demonstrateion of an effluent treatment plant serving a cluster of small-scale tanneries; and (d) strengthen the studies of institutions as well as shape detailed strategies for the development of the leather industry. Project activities will include: (a) involving through various boards, advisory and steering committees of participating institutions; (b) enabling the Khadi and Village Industry Commission (KVIC) to provide the crucial linkage with the widespread small-scale rural secment of the sector; and (c) co-ordinating multiple efforts by various industry associations and government institutions.

Inputs

UNDP will provide about 375 work-months of expertise, about 435 work-months of fellowships and study tours, which will involve substantial private sector participation;. Provision has also been made for sub-contracts for an amount of $1,200,000 and footwear equipment worth $6,050,000. The equipment is primarily intended for 4 participating institutions.

Financial data

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Personnel	4 850 000
Subcontract	1 200 000
Training	2 800 000
Equipment	6 050 000
Miscellaneous	150 000
Total	15 050 000

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